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COUNTY OF ORANGE INTERNAL AUDIT DEPARTMENT

OFFICE OF THE DIRECTOR

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Audit No. 2401

August 10, 2004

TO: David E. Sundstrom, Auditor-Controller
Attention: Jim Williams, Manager, Cost Studies and Mandated Audits

SUBJECT: Cash Loss of \$741.75 at Social Services Agency
Cash Loss File #2004-13

The Auditor-Controller has been given authority to approve replenishment of cash losses up to \$300 pursuant to Government Code Section 29390.1 and Board of Supervisors' Resolution No. 88-767. For cash losses more than \$300, the Board of Supervisors may approve the replenishment after investigation and report concurrence by the District Attorney, the Auditor-Controller, and the Internal Audit Department.

The Auditor-Controller has requested our opinion on the adequacy of controls over revolving fund at the Social Services Agency (SSA) where the loss occurred for which relief of accountability has been requested by SSA pursuant to County Accounting Procedure No. C-3. The Auditor-Controller further requested our advice regarding relief of accountability and reimbursement of the cash loss.

Background of Loss:

A shortage was identified when SSA/Accounting Services performed a detailed review of the Welfare Assistance Revolving Fund. SSA/Accounting Services investigated the shortage and was able to reduce the shortage to \$741.75. This shortage accumulated over the last ten years from using two different check registers (a Master Register and a Reconciling Register). Adjustments for timing differences, bank service charges, etc. were made to the Reconciling Register, but were not posted or reconciled to the Master Register. Also, procedures for handling cancelled, voided and stale dated checks were not defined to ensure accuracy in posting these types of adjustments. In addition, due to programming errors, information generated from the accounting software was incorrect and not reliable.

Subsequent to the investigation, SSA/Accounting Services eliminated the Master Register and consolidated the information on the Reconciling Register. The fund is reconciled daily to the authorized fund amount and the \$741.75 shortage has not fluctuated since identified. A procedure was established to define the handling of cancelled, voided and stale dated checks. Furthermore, SSA/Accounting Services replaced the accounting software with a newer version, which eliminated the problem of programming errors that existed in the prior version.

The Internal Audit Department reviewed the circumstances surrounding the loss, assessed the adequacy of internal controls over the revolving fund reconciliation process, and the corresponding actions taken by SSA/Accounting Services. Our review was limited to evaluating the procedures and controls for reconciling the Welfare Assistance Revolving Fund and actions taken by SSA/Accounting Services following the cash loss. Our review did not include an evaluation of controls over other operations, accounting practices and systems used at SSA.

Conclusion

In our opinion, actions taken by SSA/Accounting Services to enhance controls over the revolving fund reconciliation process are adequate to minimize the risk of similar deficits in the Welfare Assistance Revolving Fund.

Relief of Accountability and Reimbursement:

The District Attorney's Office noted the \$741.75 loss was not the result of employee gross negligence or fraud. No further cash losses have occurred since this incidence. Based on our review and conclusions drawn by the District Attorney, the Auditor-Controller should approve Social Services Agency's replenishment request and prepare an Agenda Staff Report for the Board of Supervisors' consideration for:

- ***Relieving Angelo Doti, Director, of accountability for the loss; and***
- ***Replenishing the Social Services Agency Welfare Assistance Revolving Fund in the amount of \$741.75 for the loss described above.***

The Internal Audit Department wishes to thank SSA/Accounting Services for their courtesy and cooperation. If additional information is needed, please call me at 834-5475, or Michael Goodwin, Audit Manager at 834-6066.

Sincerely,



for Dr. Peter Hughes, CPA
Director, Internal Audit

Distribution pursuant to Administrative Procedure No. 1 of the Audit Oversight Committee:

Members, Board of Supervisors
Members, Audit Oversight Committee
James D. Ruth, County Executive Officer
Foreman, Grand Jury
Angelo Doti, Director, Social Services Agency
Bill Castro, Manager, SSA/Accounting Services
Eliseo Gillamac, Manager, SSA/Accounting/Fiscal Services
Sharon Lightholder, Manager, CEO/Risk Management
Darlene J. Bloom, Clerk of the Board of Supervisors